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**Sustained economic growth for social development, including the eradication of poverty and hunger**

## Sustained economic growth for social development, including poverty eradication and hunger

### Report of the Secretary-General

*Summary*

By its decision 2005/221, the Economic and Social Council adopted "Sustained economic growth for social development, including poverty eradication and hunger" as the theme for its coordination segment in 2006. The present report of the Secretary-General highlights the growing recognition of the two-way relationship between economic growth and social development. That relationship forms an important element of the global development vision emerging from the United Nations conferences and summits of the 1990s, the Millennium Summit and the 2005 World Summit Outcome. The report focuses on various approaches that have been pursued to follow that vision.

The report provides an overview of the current trends and the lessons learned so far. On the basis of those trends, the report draws a number of conclusions. Some of the conclusions are: (a) countries need to adopt comprehensive, coherent and participatory policy approaches to the achievement of sustained economic growth and social development; (b) policy approaches should be designed to respond to the needs of each country; (c) there is a need to create an enabling international environment through greater policy coherence; (d) there is a need to ensure greater United Nations system-wide programme coherence and integration; and (e) there is a need to bridge the intellectual gap on the dynamic effects of specific economic and social policies through the pursuit of a comprehensive research agenda.

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The report also makes a number of recommendations, which emphasize the principle of national ownership and policy space in the formulation of effective implementation strategies; the need for building countries' capacity to be able to develop such strategies; the importance of participatory approaches; the need for the international community to harmonize and align their efforts with national development strategies; the need for the United Nations system to build further on its efforts to shift from a sectoral to a more comprehensive approach; and a call for a major research initiative to better understand the complex linkages between sustained economic growth and social development.

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# I. A comprehensive vision for pursuing economic and social goals

1. There is growing recognition of the two-way relationship between economic growth and social development. Economic growth is not an end in itself but the means to yield certain social goals, including poverty eradication, that are, in turn, the basis for its sustainability. Similarly, accumulation of human capital, which is largely achieved by the realization of social goals in the area of health, education, employment and eradication of poverty and hunger, is a key component of policies to ensure sustained economic growth. Hence, the question of equity and social development is central to sustaining economic growth over the long term.

2. To address that question, major United Nations global conferences and summits, particularly the World Summit for Social Development, held in 1995, provided a comprehensive vision. The Social Summit reaffirmed the importance of the social dimension and poverty eradication. It viewed social development as a means to achieve greater equity within societies. The Summit called for the adoption of an integrated framework of socio-economic strategies in order to achieve the goals of poverty eradication, generation of productive employment and social integration. There were repeated calls for the implementation of that vision. Most recently, the 2005 World Summit Outcome reiterated the unambiguous commitment of Member States to the implementation of the development vision that emerged from the United Nations conferences and summits.

3. That clear consensus on principles and objectives, however, is not yet fully reflected in current policies and strategies. There is still an ongoing debate on the most effective approach to achieve the objectives. A variety of approaches, at times competing, are being pursued by various development actors. The linkages between macroeconomic and social policies and their combined impact on poverty and development are still being explored in their many dimensions. Current studies have led to different lines of arguments and prescriptions for development strategies.

## A. Policy debate and approaches

4. Economic growth has been considered fundamental for the accumulation of human and physical capital, which in turn forms the basis for long-term economic growth. In that framework, macroeconomic stability has also been considered necessary to bring about sustained economic growth. Most poverty reduction measures, therefore, have pursued growth and stability as the two main objectives. The positive relationship between economic growth, social development and poverty eradication, however, does not come about automatically.

5. The experience of the 1980s and 1990s indicated that economic growth alone was not sufficient to improve the lives of the poor. Increases in average income did not automatically benefit all members of society and were not associated with improvements in health and educational attainment, essential to reduce chronic poverty. Structural adjustment macroeconomic policies carried out in the 1980s and 1990s subsequently adopted social safety nets and targeted social programmes to mitigate the negative effects of economic growth reforms. Those efforts, although useful, never fully compensated for the high social costs of structural adjustment reforms and lack of institutional capacity in those countries in which they were

adopted. One of the main reasons for the painful adjustments in macroeconomic policies during the 1980s and the more recent crises in the developing world was the lack of consistency between the economic and social goals established by the authorities.[1] That highlighted the fact that social policies could not be just an afterthought or add-on to macroeconomic reforms or growth policies.

6. The need to bring the social dimension more explicitly, consistently and effectively into the discussion of structural adjustment and macroeconomic policy design for the formulation of more effective national poverty reduction and development strategies spurred the current economic development debate.

7. Currently, macroeconomic policies, aimed at stabilizing, sustaining or enhancing economic growth, and social policies, aimed at reducing poverty and inequality as well as increasing human assets, are often formulated rather distinctly from one another. Incorporating the social dimensions in macroeconomic policy decisions is complex and might entail numerous trade-offs, especially in the short term, for example, between the need to increase fiscal expenditures for the social sector to take care of different social needs, and the degree of vigorousness to pursue macroeconomic stability.

8. Two main lines of argument have emerged from that debate: the debate on pro-poor growth and the human development approach. Both assume that although economic growth and social development are complementary in the long run, they might have competing priorities in the short run. The two approaches, however, express different perceptions of the potential policy complementarities and trade-offs and come to different conclusions on how to prioritize and sequence policies that would allow economic growth to reduce the incidence of poverty more effectively and sustainably.

## B. Debate on pro-poor growth

9. The notion of pro-poor growth arose from the recognition that growth alone would not automatically bring about poverty reduction unless specific measures were adopted to link growth to the poor. But it led to the debate on the definition of what constitutes pro-poor growth and the modalities to measure it.

10. There are two broad approaches to pro-poor growth: one is based on the relative concept of inequality and defines pro-poor growth as growth that reduces inequality through redistribution; the other focuses solely on the link between poverty and growth, defining growth as pro-poor if it reduces absolute poverty (by increasing the overall income).[2] The first approach views pro-poor growth in terms of changes in the share of poor households in total income (distribution of income).Within the later approach, there are different understandings of what would measure pro-poor gains in terms of increases in the share of poor in per capita growth. One view defines pro-poor growth as growth that results in some increases in the incomes of the poor, however small.[3] Another view defines growth as pro-poor growth when the percentage increase in the income of the poor is no less, on average, than that of the non-poor.[4] In other words, the share of the poor in the proceeds of growth should be no less than their initial share in income, which is by definition relatively small. Both definitions assume that maximizing the increases in incomes of the poor requires growth, excluding the possibility that increases in such incomes could conceivably be best achieved in some contexts through policies that

entail negative growth, with substantial redistribution.[5] A third view defines pro-poor growth as growth that increases the incomes of the poor by a share greater than average in the additional income generated by growth in absolute terms. That definition implies that the incomes of the poor should grow much faster in percentage terms than those of the rich[6] and it is equivalent to the first approach, which focuses on income distribution.

11. There are three main lines of inquiries concerned with the factors affecting poverty reduction. The first line explores the linkage among poverty, growth and inequality, thus suggesting that a poverty reduction strategy should focus on both growth and the pattern of growth; the second stream analyses whether there is a trade-off between reducing inequality and improving growth, or whether there is a "virtuous" circle in which growth leads to less inequality; and the third focuses on the linkages between socio-economic policies and their combined effects on growth, inequalities and poverty reduction. Various ongoing studies concentrate on these issues, with the aim to define an analytical and policy framework that would be more likely to bring about pro-poor growth, but no common approach has yet emerged. A review of cross-country studies[7] indicated a positive correlation between growth and poverty reduction but no correlation between growth and changes in inequality. The review also showed that growth accompanied by progressive distributional change increased growth effectiveness to reduce poverty.

## C. Human development approach

12. The human development approach builds on the two-way relationship between economic growth and social development understood as leading to either a mutually reinforcing upward spiral of sustained growth and development or to a downward spiral of social inequality, unsustainable growth and poverty. The approach emphasizes that the positive performance of such a relationship depends on the primacy of human development as an objective of development, where human development is both a primary goal and a prerequisite for sustainable growth and development.[8]

13. To pursue that approach, social expenditures should be pursued simultaneously with economic growth policies, as a way to achieving advances early on in various dimensions of basic well-being. Those advances, such as better health, nutrition and education, lift people from poverty and enhance their capabilities, creativity and labour productivity, which are main determinants of growth and its sustainability. A more equal distribution of those capabilities tends to favour higher rates of growth and poverty eradication.

14. In that approach, social policies that have the greatest impact on poverty may not necessarily be those that are pro-poor in the strictest terms, but rather those focused on development in the broad sense, ranging from human capacity development, employment generation, social protection and equality, democratic participation and collective decision-making.

15. The impact of human development on the achievement of the overall objectives of sustained economic growth, social development, and poverty eradication might be weakened by factors such as the initial accumulation and distribution of assets, social expenditure, quality of institutions and investment rates. Those may be some of the reasons why some countries that had adopted a

human development approach succeeded and others failed at generating sustained rates of growth and development. It is not enough to create a larger pool of educated people. There must also be opportunities for them to be productively employed or the number of unemployed will simply increase. Labour opportunities, in turn, might depend on factors as varied as the structure of the economy, existence of labour rules that encourage job creation, reform of banking and property regulation that encourage lending, political stability, impact of globalization on markets, economic activities and social cohesion.[9]

16. The success of pursuing one of those two approaches depends on a variety of factors that are unique to each national situation and that require a comprehensive and coherent set of policies. There is no "one-size-fits-all" formula applicable to all countries under all circumstances. The ownership and consistency of national policies is crucial to account effectively for all the relevant factors. The right formula is unique to each country and might be the result of multiple trade-offs.

## II. Trends: an overview

17. The varied country and regional experiences largely indicate that countries that were successful in escaping the poverty trap and achieving high economic growth and development were those that consistently promoted equitable growth and investment in human development, especially education and training. They also focused on labour market regulation as a central element of macroeconomic regulation and carried out economic reforms aimed at diversifying the economy and promoting employment and export growth. Most of those countries also enjoyed a long period of political stability and democratic accountability. Yet, there were many other political, social and cultural factors, such as the level of political stability, the presence of conflicts, the level of social and economic integration, institutional strength and the incidence of HIV/AIDS that accounted for the development outcome of various countries.

18. Countries that focused primarily on economic growth and macroeconomic stability, with few notable exceptions ended up consistently with massive inequalities in their societies, less ability to withstand economic and other crises, and a tendency towards an overall poor economic and social performance. Emphasis on narrowly defined macroeconomic stability, structural reforms, privatization and reduced state intervention characterized the policies of many of those countries. Even though they generally experienced improved growth indicators, reduced current-account deficits and improved public finances owing to the restructuring and privatization of the public sector, per capita real income continued to fall and poverty remained persistently high, especially among the most vulnerable groups of society, while human development indicators continued to perform poorly. The high level of poverty and income inequality were due to large initial income gaps; growth concentrated in capital and skill intensive sectors; inadequate opportunities for the poor to improve their human capital; and weak social protection programmes. Those countries were particularly vulnerable to economic and other crises, as the economic downturn of the 1990s demonstrated, which aggravated the situation of poverty and inequality of many of those countries.

19. Countries that were successful in implementing a human development approach were also those that adopted a broad range of policies to create an

enabling environment for equitable and sustainable growth, social cohesion and political stability. The implementation of targeted policies supporting educational, training and vocational institutions, which led to rapid skill development and accumulation beyond basic education in many countries, were generally accompanied by consistent policies to increase employment opportunities for all social groups, including through economic diversification and social inclusion in policy decision-making. An inclusive political environment, in turn, allowed many countries to maintain consistently high social expenditures and high investment rates. Moreover, policy continuity in promoting equitable growth and investment in human capital contributed to the creation of a favourable economic atmosphere for attracting foreign investment essential for technology and skill transfer to domestic businesses, increase access to international markets by local firms and for domestic capital formation.

20. In many of those cases, Governments played a leading role in emphasizing human resources development as the primary instrument to achieve equitable growth and maintaining policy consistency and economic and social integration. While Governments established policies and provided funds, a key factor for success was the involvement of employers, unions, academia, the private sector and multinational companies in the formulation and implementation of those policies that ensured that the needs of the industry were met and facilitated adequate technology and skill transfer.

21. Despite the focus on human development and sustained growth, other countries did not manage to reduce poverty and inequality. Even if they performed well in terms of human development indicators — i.e., life expectancy, literacy and fertility rates — among the low income countries, they could not prevent a further widening of the income gap during the previous decade, especially between urban and rural areas. That considerably minimized the poverty-reducing benefits of economic growth in the 1990s and led to social disintegration. In some countries that was due partly to a combination of prolonged civil conflict, uneven industrial development among regions caused by skewed economic policies, limited land ownership that hindered equitable rural development, lack of diversification of the economy that created excessive dependence on agriculture and greater vulnerability to external shocks, and lack of regional dynamics favourable to trade expansion. In many cases, lack of political stability and policy continuity failed to attract the foreign direct investment necessary to help sustain economic growth. In some countries, HIV/AIDS featured high among the impairing factors.

**Lessons learned**

22. From various country experiences and the ongoing analytical work, the following major lessons can be drawn. They are in no way exhaustive. However, the list has been kept short to keep the report focused on the broad contours of the debate and practices.

23. First, consistency of policies with macroeconomic stability, understood in the broad sense — including not only fiscal sustainability and lower levels of inflation, but also stability in economic growth and in external accounts, as well as sound domestic financial and external balance sheets — is necessary to achieve development objectives, but not sufficient, for better social performance. The conflict, however, is not between social policy, on the one hand, and

macroeconomic stability and consistency on the other, but between macroeconomic inconsistency and long-term priorities. Many of the structural targets formulated during the period of economic reforms in the developing world lacked clear social dimensions or even had negative implications, particularly when they were aimed at reducing the size of the State at the cost of sacrificing social policy.[10]

24. Second, the relationship between sustained economic growth and social development for poverty eradication and hunger is complex. It goes beyond the realm of economic and social policymaking and includes factors like the institutional structure, cultural underpinnings, policy and decision-making processes, political and security situation. Social and economic goals, therefore, need to be pursued through comprehensive, coherent and country-specific development strategies.

25. Third, there is no universal approach that provides an effective analytical and policy framework to account for all factors that might affect national economic and social issues and for their policy implications. The approach has to be developed at the country level and it has to be tailored to the specific needs of a country.

26. Fourth, the effectiveness of the approach to bring about social cohesion, equity and sustainable growth is largely determined by the quality, capacity, transparency and accountability of institutions. Those institutions affect Governments' ability to ensure that public investments link the poor to growth. Accountability and the existence of clearly established rights and obligations are also necessary conditions for the effectiveness of those policies. Effective and creative solutions to national problems are more likely to emerge from policymaking processes based on social dialogue and social integration through which broad national needs can be expressed and taken into account. That can also help to ensure policy coherence and coordination at the national level. However, countries need to build the capacity to carry out broad-based consultations and to deal with the broad range of issues involved in the process.

27. Fifth, the overall international economic environment should be supportive of the national policies to pursue economic growth and poverty eradication. External shocks like fluctuations in commodity prices or pressures generated by rapid trade and financial liberalization could undermine social policies and in some cases reverse the gains made in poverty eradication. That is increasingly so in a rapidly globalizing world economy. Hence, the need for greater policy coherence and coordination at the global level.

28. Finally, it seems that existing policymaking mechanisms, institutions and actors, at the national and international levels, lack the scope and comprehensiveness to deal with that agenda and to support the emergence of country-specific solutions to national problems. Hence, there is a clear need to promote interdisciplinary and multi-stakeholder mechanisms to foster better understanding of the impact of socio-economic policies on the two-way relationships between sustained economic growth and social development, and its impact on poverty and hunger. This leaves an important and comprehensive research agenda to be carried out if the dynamic effects of specific policies are to be appropriately understood and addressed.

# III. International development cooperation to promote sustained economic growth for social development: trends and evolving approaches

29. In the 1980s and 1990s policies, including structural adjustment macroeconomic policies, focused on economic stability and growth, adopting social safety nets and targeted social programmes as a subsequent measure to mitigate the negative effects of economic reforms. That approach of adding social policies as an afterthought did not address social problems adequately and did not improve the situation of the poor. The debate on poverty in the 1990s recognized the negative impact of the structural adjustment approach. The poverty reduction strategy approach has made some progress to develop a more integrated strategy to include the economic and social dimensions under one policy umbrella.

30. The shift from the Structural Adjustment Programme to the Poverty Reduction Strategy Papers (PRSPs) by the International Monetary Fund (IMF) and the World Bank in the late 1990s indicates that those institutions have recognized the need to develop a broader perspective. IMF accordingly substituted the Enhanced Structural Adjustment Facility with the Poverty Reduction and Growth Facility. The intention was to include social development consideration in the overall poverty reduction strategy. The two main objectives of the PRGF, however, remain growth and stability, as in the previous structural adjustment programmes. That assumes that poverty reduction will follow, even though it is recognized that without explicit policies promoting economic and social inclusion, empowerment and social investment, growth and stability would not necessarily result in poverty reduction. The World Bank Poverty and Social Impact Analysis (PSIA) and Country Social Analysis are intended to ensure that the social dimension is addressed more comprehensively in the PRSPs.

31. Regional financial institutions such as the Asian Development Bank (ADB) and the Inter-American Development Bank (IDB) have also supported initiatives to promote social inclusion and the human capital of the poor as necessary conditions for reducing poverty and inequality. The IDB has created strong linkages between poverty reduction and social equity promotion by incorporating poverty eradication programmes within the institution's social development activities.

32. In addition to those trends, the global development vision emerging from the United Nations conferences and summits of the 1990s, the Millennium Summit and the 2005 World Summit Outcome, promotes a positive upward spiral between economic growth and social development. Such vision acknowledges the need for greater coherence and consistency in the various policy realms pursued by the international community. In particular, the Monterrey Consensus has endorsed the principle that international development assistance should be guided by national priorities. Such consensus, however, has not yet translated into donor practices that are less prescriptive and more aligned with the national priorities and strategies on the basis of commonly agreed benchmarks of progress.

33. The adoption of the Rome Declaration on Harmonization in 2003 and the Paris Declaration on Aid Effectiveness in 2005 is indicative of a shift of major donors towards greater country ownership of development cooperation efforts. In the Paris Declaration, the participants, both developed and developing countries, agreed to increasingly align aid with the priorities, systems and procedures of developing

countries. The view that national ownership leads to greater impact on the development process is central to the Paris Declaration, as well as the need to manage by results. In particular, signatories agreed that in determining the most effective modalities of aid delivery, they would be guided by development strategies and priorities established by developing countries (Paris Declaration). While that is certainly an encouraging trend among donors, it would be more useful to have those agreements within the fold of multilateral discussions on development cooperation. That is likely to lead to broader ownership of those efforts and greater synchronization with the work of the United Nations in that area.

34. The Monterrey Consensus also called for greater coherence, consistency and coordination in global policies that have a direct or indirect impact on financing for development. This is a recognition that not only aid policies but also polices in the areas of trade, investment, external debt and governance should support the overall development goals. While some progress has been made in pursuing that goal, there are still areas in which policies contradict each other. Moreover, national development strategies or policy frameworks, in certain cases, are undermined by policy conditionalities imposed by donors.

**United Nations system**

35. While the United Nations system has always advocated and pursued programmes/projects that are meant to promote the welfare of human beings, including through eradication of poverty and hunger, its activities have been quite diverse. The fragmentation of approaches was also due to the lack of a common vision, which has now been generated by the outcomes of the United Nations conferences and summits. Since 2003, the United Nations System Chief Executives Board for Coordination (CEB) has given high priority to the elaboration of the system's collective contribution to the implementation of the United Nations development agenda by: (a) enhancing inter-agency policy exchange and information sharing at the inter-agency level on key issues concerned with the relationships among poverty reduction, growth and equity, such as: conditions for a sustained process of poverty reduction; links between economic policies and the social Millennium Development Goals; the combination of broad-based capital formation with social protection and specific anti-poverty programmes; and policies for addressing inequalities; and by (b) promoting system-wide technical assistance to help countries integrate the Millennium Development Goals and other priority objectives into their policy frameworks.[11] Such efforts, however, are still far from a comprehensive support of the United Nations system to the integration of the Millennium Development Goals in the PRS process.

36. Programmatic coherence within the system has been pursued through the promotion of the internationally agreed development goals, including the Millennium Development Goals and the use of instruments such as the common country assessment and the United Nations Development Assistance Framework (UNDAF). The United Nations Development Group (UNDG) has adopted a set of measures to put national development plans at the centre of United Nations country programming and has recently initiated a Millennium Development Goal-oriented approach to PRSs to ensure the integration of social objectives and to facilitate synergies between different sectors. An increasing number of United Nations country teams have helped national partners to place the Millennium Development Goals within their PRSs, linking the common country assessment and UNDAF to

those strategies. It is, however, too early to trace in the PRSs clear links to Millennium Development Goal-based results and poverty outcomes. UNDP has also initiated the Poverty Strategies Initiative, a multi-donor programme aimed at incorporating the Millennium Development Goals and sometimes the broader framework of the internationally agreed development goals into national development strategies.

37. The Department of Economic and Social Affairs, through the Executive Committee on Economic and Social Affairs, is focusing on policy development and analytical work around a few strategic objectives to strengthen the linkages between the normative and operational work of the United Nations system, including through close collaboration with UNDG and CEB. That work taps into the analytical expertise and contribution of the regional commissions and many non-resident agencies and aims at supporting country processes in translating the United Nations normative work, as defined by the internationally agreed development goals, including the Millennium Development Goals, into national development priorities and strategies for their implementation.

38. The organizations of the United Nations system are promoting other sector-specific projects and programmes in an effort to inject a Millennium Development Goal perspective into the PRSs or to support the formulation of national development strategies, as endorsed by the 2005 World Summit Outcome. For example, FAO promotes pro-poor growth through targeted policies aimed at promoting growth of agriculture and rural economy to reduce poverty and hunger. Such policies are based on an integrated approach. In addition, FAO, IFAD and WFP have been coordinating their strategies in partnership for a twin track approach to hunger and poverty reduction, which was proposed in Monterrey 2002. The approach combines short-term targeted assistance, such as food aid and water control, with long-term investments aimed at sustainable growth, including improved infrastructure, sound natural resource management, increased access to jobs, education, land, water, credit, social services and organizations for the poor.

39. The ILO approach to poverty eradication is formulated around the framework of decent and productive work. In its assistance to PRSs, it stresses pro-poor growth, focusing on changes in institutions, laws, regulations and practices that create and perpetuate poverty. ILO has also initiated a pilot programme of cooperation with the Governments and social partners of a few countries to support the development of a decent work component in poverty reduction strategies. The major strength of ILO is that it can provide a method for engaging social partners in participatory processes. ILO is also carrying out Decent Work Pilot Programmes in a few countries. One of the objectives of the programme is to study how decent work contributes to poverty eradication in practice.

40. UNCTAD promotes growth-oriented macroeconomic policies, sectorally focused productive development policies, export promotion policies and policies to ensure that marginalization within least developed countries does not occur as economic growth takes place. Productive sectors, notably agriculture and economic infrastructure, which have both been relatively neglected through declining aid flows, are likely to receive greater attention in the type of poverty reduction strategy advocated by UNCTAD. It has also advocated that the best way to move beyond structural adjustment is by anchoring poverty reduction strategies in long-term development strategies.

41. UNICEF takes a rights-based approach to poverty reduction and focuses on social integration policies aimed at enhancing access of the poor to nutrition, health, water and sanitation, resources and knowledge necessary to attain employment, social protection and other policies which promote social integration of marginalized populations.

42. UNAIDS facilitates the inclusive and country-driven process to support existing national AIDS strategies to achieve the Millennium Development Goal of reversing the spread of the epidemic by 2015.

43. Despite efforts by the organizations of the United Nations system to rally around the internationally agreed development goals, including the Millennium Development Goals, there are still visible gaps in supporting the efforts of Governments, building synergies among their own activities, synchronizing their work and in prioritizing their activities. Among other things, the system capacity to deliver is also constrained by the lack of sufficient resources and lack of sufficient flexibility of United Nations organizations to adjust their programming cycles.

**Lessons learned**

44. The broad overview of international trends regarding efforts to pursue social and economic goals in a mutually reinforcing manner points to the following lessons.

45. First, despite the efforts to translate the global agreement on a development vision into strategies for action, the PRS approach remains largely donor-led and focused on policy conditionalities. There is a need to ensure that countries have sufficient national policy space, which is essential for adopting a nationally developed and owned strategy.

46. Second, there is a lack of policy coherence and coordination in international development cooperation and policies; one sphere tends to contradict or impede policy objectives in another. That is a reflection of different policy processes involving different economic and social development actors. As a result, current poverty reduction strategies or poverty reduction strategy papers are far from aligning fully with the internationally agreed development goals, including the Millennium Development Goals, as expressed by national priorities. The risk of the current trend of competing policy approaches is to maintain the existing juxtaposition between competing claims of macroeconomic and social considerations without offering a valid framework to decide among them.

**United Nations system**

47. Firstly, the organizations of the United Nations system need to build further on their efforts and pursue a more coherent and integrated approach within the United Nations system and with other partners to support the Millennium Development Goals — and other internationally agreed development goals — based policy approaches. That would also require significant changes in the way United Nations development cooperation is programmed and funded.

48. Secondly, there is a need to maintain consistency among different sector-specific projects and programmes within a country development framework and exploit synergies and complementarities among those programmes. Donor preferences for social spending have put some organizations of the United Nations

system under pressure to demonstrate results in the social sector instead of seeking to support longer-term government action to integrate separate strategies into a single operational framework for poverty reduction.

49. Thirdly, CEB and UNDG efforts to promote system-wide approaches to integrate the internationally agreed development goals, including the Millennium Development Goals, into the overall work of the United Nations system organizations, particularly in their support to the national development strategies, need to be pursued further. CEB can play an important role in ensuring that internationally agreed development goals are part of the PRSs and PRSPs.

50. Finally, the capacity of the organizations to deliver is also constrained by the lack of sufficient resources or increasing reliance on non-core resources, which tend to focus on specific sectors, weaken policy coherence and spur competition for resources.

# IV. Conclusions

51. Considering the degree of varied views on what are the appropriate macroeconomic policies to reduce poverty most effectively, the present report does not focus on the academic discussions that surround the theme. Instead, the focus is on the practices and international trends in pursuing the goals and what inferences could be drawn from those trends. For that reason, the conclusions are largely based on the lessons learned and the process of policy development that the United Nations has undertaken through its series of conferences and summits.

52. They fall into five broad areas. Firstly, countries need to adopt a comprehensive approach for achieving the goals of sustained economic growth and social development, including eradication of poverty and hunger. Such an approach should be tailored to the needs of each country, which assumes a fair degree of State capacity, institutional structures and accountability as well as authority and legitimacy over the territory, fiscal space and capacity to engage effectively in participatory processes for policymaking and to involve all relevant stakeholders. That approach needs to be translated into a national development strategy, based on the internationally agreed development goals, as nationally prioritized.

53. Secondly, there is a need to create an enabling international environment through greater coherence and consistency in the policies that have direct or indirect implications for the development prospects of developing countries. That also includes full implementation of the commitments made in the outcomes of the United Nations conferences and summits.

54. Thirdly, international development cooperation should be geared towards supporting the national efforts of countries to develop national development strategies to pursue development goals, as suited to their national situations. In that regard, international financial institutions and donor policies need to be more supportive of national needs and efforts to achieve those goals.

55. Fourthly, the United Nations system needs to become more coherent and integrated in the formulation of its programmes and projects. Fragmentation seems to be minimizing the impact of the efforts of the United Nations organizations to make the internationally agreed development goals, including the Millennium Development Goals, as the central plank of their activities. The governing bodies of

the various United Nations organizations should promote greater system-wide programming coherence and flexibility in programming cycles and country-level activity calendars of their organizations for improved alignment with the national instruments of recipient countries. The United Nations system also needs to have more resources to channel its overall expertise in its operations and undertake activities that are required to support national development strategies and implementation efforts, as agreed in the 2005 World Summit Outcome.

56. Finally, there is a clear need to pursue a comprehensive research agenda if the dynamic effects of specific economic and social policies are to be appropriately understood and addressed. That intellectual gap needs to be bridged through joint efforts and continuous research.

# V. Recommendations

57. The recommendations listed below are made regarding the theme of the current coordination segment.

## A. National level

1. Countries should develop comprehensive approaches to pursue social development and sustained economic growth, including eradication of poverty and hunger. Such approaches should be country-specific and nationally owned and should be at the foundation of the national development strategies that the countries have committed to adopt and begin to implement during 2006.

2. Countries should build capacity for designing these strategies and for evaluating their impact, promote transparency and accountability of institutions and ensure that policymaking processes are based on social dialogue and social inclusion. They should strengthen the national budget process, while promoting participatory processes.

3. Countries should promote policy coherence and coordination in order to ensure that policies in various sectors are mutually supportive and are geared towards the achievement of development goals.

## B. International level

4. Concrete steps should be taken to create an enabling international economic environment that is supportive of the national policies to pursue economic growth and poverty eradication and that promotes coherence and coordination of policies in the areas that directly or indirectly impact the development prospects of developing countries.

5. The international development community should promote more equal and participatory partnership with developing countries that would allow for greater policy space and national solutions to developing countries' socio-economic challenges. The development community should adopt more upstream aid methodologies for budget support, where accountability is linked to agreed results as articulated in country-owned development plans.

6. The development community, particularly donor countries, should take further steps to harmonize and align their efforts with national development strategies and priorities in accordance with the development agenda endorsed by United Nations summits and conferences and should support country efforts to strengthen their government institutions and increase national absorptive capacity. That requires minimizing policy conditionalities and focusing on results so that the dialogue on policies and accountability issues can shift from donors to national stakeholders.

7. Donors should find ways to help developing countries to strengthen their analytical and policymaking capacity and to contribute to the formulation of a more comprehensive, integrated and country-driven policy approach for the implementation of national development strategies. The Paris Declaration is a step in the right direction. Efforts should be made to extend that initiative beyond the signatories to the Declaration, including through multilateral forums.

## C. United Nations system

8. The United Nations system should build further on its efforts to shift from a sectoral and fragmented approach to a more comprehensive and integrated approach in order to mobilize its full expertise in support of the national development strategies and facilitate the integration of the economic and social dimensions in those strategies.

9. The organizations of the United Nations system should continue to strengthen their focus on country ownership and priorities and adapt their development lessons to the country-specific context. The organizations of the United Nations system should further adapt and harmonize financing instruments to ensure better donor coordination and development assistance focused on results and development effectiveness.

10. The United Nations Development Group should continue to promote multi-stakeholder policy dialogues at the national and regional levels, including, ministries of health, education and labour and relevant United Nations agencies, with the objective of building national and regional capacity to develop a multidisciplinary approach to economic and social issues.

11. The Economic and Social Council may wish to promote multidisciplinary debates and research work on economic and social policies in order to better understand the economic and social impact of policy reforms and promote the development of more integrated institutional arrangements for policy analysis, formulation and implementation in the economic and social fields. In that regard, the Council may call for a major research initiative by the organizations of the United Nations system, especially the Executive Committee on Economic and Social Affairs, to better understand the complex linkages between sustained economic growth and the achievement of social development goals.

*Notes*

[1] Ocampo, José Antonio, "Market, Social Cohesion, and Democracy", DESA Working Paper No. 9 (ST/ESA/2006/DWP/9), February 2006.

[2] See, for example, United Kingdom Department for International Development (DfID), Pro-Poor Growth Briefing Note 1, February 2004.

[3] Ravallion, Martin and S. Chen (2003); "Measuring Pro-Poor Growth", Economic Letters, 78(1), 93-99.

[4] 2000 World Development Report, World Bank.

[5] Woodward, David and Andrew Simms, "Growth is Failing the Poor: The Unbalanced Distribution of the Benefits and Costs of Global Economic Growth", DESA Working Paper No. 20, March 2006.

[6] White, H. and A. Anderson (2001); "Growth versus Redistribution: Does the Pattern of Growth Matter?", DfID white paper on Eliminating World Poverty: Making Globalization Work for the Poor"; Nanak Kakwani and Hyun H. Son, "Evaluating Targeting Efficiency of Government Programmes: International Comparison", DESA Working Paper No. 13 (ST/ESA/2006/DWP/13), February 2006.

[7] Lopez, J. Humberto, "Pro-poor growth: a review of what we know (and of what we don't)", the World Bank, September 2004.

[8] Ranis, Gustav and Frances Stewart, "Dynamic Links between Economy and Human Development", DESA Working Paper No. 8, November 2005 (ST/ESA/2005/DWP/8).

[9] *Report of the Committee for Development Policy on its first session (26-30 April 1999)*. "Vulnerability and poverty in a global economy" (United Nations publication, Sales No. E.99.II.A.5), p. 15.

[10] Ocampo, José Antonio, "Market, Social Cohesion, and Democracy", DESA Working Paper No. 9 (ST/ESA/2006/DWP/9), February 2006.

[11] See the CEB report entitled "One United Nations: Catalyst for Progress and Change — How the Millennium Declaration is changing the way the United Nations system works" (2005).